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## **South Africa, Republic of**

Sugar

### **Annual report**

2007

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**Report Highlights:**

The 2006/07 South African sugar production amounted to 2.3 million tons raw value from 20.3 million tons of cane compared to the actual 2005/06 production of 2.6 MTRV from 21 million tons of cane. A similar scenario is foreseen for the new 2007/08 season, we expect that 2.5 MTRV will be produced from 20.75 million tons of cane. About 1.2 million tons will be exported after about 1.3 million tons were exported in 2006/07. Unfortunately for the industry the record prices reached in 2006/07 are not likely to be repeated.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Pretoria [SF1]  
[SF]

## Summary

The 2006/07-sugar production amounted to 2.227 million metric tons Tell Quell (2.3 million MTRV), compared to the actual 2005/06 production of 2.5 million tons, (2.6 million MTRV). A very similar scenario is foreseen for the new 2007/08 milling season. We expect that 2.425 million tons Tell Quell sugar (2.5 million MTRV) will be produced from 20.75 million tons of cane.

[www.sugar.org.za](http://www.sugar.org.za)

US\$1=R7.15 (04/10/2007)

## Sugar cane

PSD Table

Country South Africa

Commodity Sugar Cane

1000 HA

1000 MT

	2006 Revised			2007 Estimate			2008 Forecast		
	Post			Post			Post		
	USDA	Post	Estimate	USDA	Post	Estimate	USDA	Post	Estimate
	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New
Market Year Begin	04/2005			04/2006			04/2007		
Area Planted	428	428	428	429	429	429	0	0	430
Area Harvested	331	331	331	330	330	330	0	0	331
Production	21052	21052	21052	21500	21351	20279	0	0	20750
Total Supply	21052	21052	21052	21500	21351	20279	0	0	20750
Utilization for Sugar	21052	21052	21052	21500	21351	20279	0	0	20750
Utilizatr for Alcohol	0	0	0	0	0	0	0	0	0
Total Utilization	21052	21052	21052	21500	21351	20279	0	0	20750

## Production

The 2006/07 milling season was characterized by a late start to the rainfall season followed by heavy rains from mid December 2005. The drought and irrigation water shortage in Mpumalanga was comprehensively broken. The lack of sunlight and heat caused by the incessant rain had a negative effect on the crop. That is why we see a higher than normal cane/sugar ratio because of the lower sucrose content in the cane. According to the industry 20.3 million tons of cane were cut producing 2.2 million tons of sugar.

For the 2007/08 season, which started in April 2007, the weather was initially favorable and the crop got off to a good start. Rainfall since January 2007 has been disappointing but not as poor as in the main summer rainfall cropping areas. Kwazulu Natal generally received average rainfall but Mpumalanga suffered under low rainfall and high temperatures. Although this crop is irrigated the high temperatures caused some moisture stress. As a result an average cane crop of about 20.75 million tons and less than average sugar production of about 2.4 million tons are expected. The following table contains production details:

Season	Area Planted HA	Harvested HA	Yield MT/HA	Cane crushed MT	Sugar prod. MT*	Cane/sugar ratio
2002/03	430 106	321 234	71,64	23 012 554	2 762 885	8.33
2003/04	426 861	325 956	62,64	20 418 933	2 419 287	8.44
2004/05	424 907	316 010	60.42	19 094 760	2 234 890	8.54
2005/06	428 372	330 515	63.7	21 052 266	2 500 504	8.42
06/07 est.	429 000	330 000	61.5	20 278 603	2 235 287	9.07
07/08 fore.	430 000	331 000	62.7	20 750 000	2 425 000	8.56

\*Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value

## Cane prices

Through a revenue sharing arrangement, growers are paid a share of industry proceeds. Outlined below are recent recoverable value (RV) prices paid by millers to growers together with the average cane price. The RV price is basically the sucrose price plus some quality parameters. Revenue earned in the various markets determines prices for the year. With the remarkable recovery in the international sugar market brought about by the energy crisis, prices for the 2006/07 season have improved considerably.

SA Rand/MT.	RV Price	Cane Price	Cane/sugar ratio
2002-2003	1 368.79	171.78	8.33
2003-2004	1 357.01	169.08	8.44
2004-2005	1 297.19	159.55	8.54
2005-2006	1 389.80	173.59	8.42
2006-2007	1 701.86	198.78	9.07
2007-2008 est.	1 590.00	185.00	8.56

The 2006/07 highlight for the industry was the 25-year high in the world sugar price, which peaked at 19 USc/lb. (R3/kg.) in February 2006. Poor crops in India, Thailand and Australia and an increase in sugar cane use for ethanol production in Brazil brought this about. The full benefit of the improvement in export and domestic sugar revenue came into effect in 2006/07 leading to the record R1700/ton RV producer price and nearly R200/ton cane price. Since then the crops in India and Thailand has recovered while Brazil expanded production leading to a drop in the world price.

The main drivers affecting the local producer price are the size of the crop, the world price, the local market revenue and the R/US\$ exchange rate. The anticipated world demand/supply situation for the 2007/08 season is less tight. This is again the result of an expected record Brazilian crop, the recovery of the crop in India and lower demand in Russia. The local industry is looking at a world price of between 8.5 and 13.5 USc/lb with an average of 10.5. The exchange rate is unpredictable but could level out at R7.40 to the US Dollar. Local market revenue is again dependent on the world price and the exchange rate, which will limit the industry's ability to increase the domestic price, but for the purpose of this exercise the combined effect of volume growth and price on industry income is estimated at 6%.

Based on these variables the estimated RV price for the 2007/08 season will be about R1590/ton or R185/ton of cane. This is well lower than the 2006/07 price but above the three year average.

## Alternative Uses for Sugar Cane

The CANE GROWERS association continued to lobby within the Sugar Industry and government regarding its policies on renewable energy from sugar cane. Increasing

energy demands, with limited sources of supply, continues to highlight the relevance of fuel grade ethanol and electricity generated within the sugar mills. Government support is required, however, to make it a reality and a draft bio-fuels strategy is on the table to be decided on in May (see sf 6021 and sf 7010 for the latest developments in this field).

## Sugar

PSD Table

Country	South Africa								
Commodity	Sugar, Centrifugal								
1000 MT	2006 Revised			2007 Estimate			2008 Forecast		
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post
	Official	Estimate	Estimate	Official	Estimate	Estimate	Official	Estimate	Estimate
Market Year Begin		04/2005	04/2005		04/2006	04/2006		04/2007	04/2007
Beginning Stocks	860	860	860	850	850	850	775	775	400
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	2595	2595	2595	2544	2544	2300	0	0	2500
Total Sugar Production	2595	2595	2595	2544	2544	2300	0	0	2500
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp. (Raw Val)	200	200	180	176	176	125	0	0	165
Total Imports	200	200	180	176	176	125	0	0	165
Total Supply	3655	3655	3635	3570	3570	3275	775	775	3065
Raw Exports	940	940	940	900	900	950	0	0	900
Refined Exp.(Raw Val)	290	290	290	310	310	350	0	0	300
Total Exports	1230	1230	1230	1210	1210	1300	0	0	1200
Human Dom. Consumption	1570	1570	1550	1580	1580	1570	0	0	1585
Other Disappearance	5	5	5	5	5	5	0	0	5
Total Use	1575	1575	1555	1585	1585	1575	0	0	1590
Ending Stocks	850	850	850	775	775	400	0	0	275
Total Distribution	3655	3655	3635	3570	3570	3275	0	0	3065

## Production

The 2006/07-sugar production amounted to 2.227 million metric tons Tell Quell (2.3 million MTRV), compared to the actual 2005/06 production of 2.5 million tons, (2.6 million MTRV). A very similar scenario is foreseen for the new 2007/08 milling season. We expect that 2.425 million tons Tell Quell sugar (2.5 million MTRV) will be produced from 20.75 million tons of cane.

## Consumption

Sugar supplies into the Southern African Customs Union (SACU) have changed markedly since the early 1990's, when South Africa was the main supplier with over 95% of market share. In the meantime the market was opened up to both Swaziland and to Southern African Development Community (SADC) sugar producers, and South Africa's share of the regional market is currently below 80%. In addition, the general import duty was cut to Zero on April 13, 2006. This was based on the formula calculation used to determine the tariff and the then high international sugar prices.

The increased flow of sugar from the region into South Africa has had a significant impact on the South African sugar industry. The demand for sugar in the region has grown by roughly 1% per annum over 10 years, with demand closely correlated to growth in real disposable income and growth in gross domestic product. In 2005/06 local sales amounted to 1.375 million MTRV to which imports of about 180,000 are added for a total of 1.555 million MTRV. Domestic sales are divided 60/40 between direct and industrial sales. The following table contains domestic sales without the imports. The 2006/07 sales and trade figures are not yet available.

MT	2003/04	2004/05	2005/06
White sugar	926,951	1,073,867	1,112,153
Brown sugar	174,651	194,112	215,640
Direct sales	670,214	785,538	810,017
Industrial sales	431,388	482,441	517,776
Total sales	1,101,602	1,267,979	1,327,793
MTRV	1,140,158	1,312,358	1,374,265

## Trade

The South African Revenue Service (SARS) reports the following exports over the previous two calendar years although the 2006 figures are still subject to change.

### Export Trade

Country	South Africa,		
Commodity	Sugar, Centrifugal		
Time Period	Cy	Units:	Mt
Exports for:	2005		2006
U.S.	55,525	U.S.	27,500
Others	Others		
Japan	213,000	Japan	120,020
South Korea	140,000	South Korea	105,000
Iran	77,000	Iran	283,600
Kenya	57,076	Kenya	66,458
Madagascar	23,039	Madagascar	59,393
Bangladesh	16,000	Bangladesh	38,500
Mozambique	8,498	Mozambique	169,332
Angola	24,575	Angola	35,135
Mauritius	20,130	Mauritius	26,759
China	24,400	China	26,250
Total for Others	603718		930447
Others not Listed	423246		150101
Grand Total	1082489		1108048

The increased sales shown for Mozambique were the result of expansion at the Maputo sugar terminal. The storage capacity was increased from 125,000 to 175,000 tons and the rail line upgraded with the result that more sugar from

Mpumalanga, Swaziland and Zimbabwe could be handled. Sales shown for Mozambique thus mainly consist of transshipments.

According to the South African Sugar Association, (SASA), South Africa exported 940,000 tons of raw sugar and 270,000 tons of refined (290,000 MTRV) for a total of 1.23 million MTRV in MY 2005/06. My 2006/07 details are not yet available.

Published imports amounted to 43,013 tons in MY 2004/05 and 41,368 in 2005/06. Imports from Swaziland are not shown as trade amongst Customs Union members are not recorded. The following table contains the latest calendar year figures.

#### Import Trade

Country	South Africa		
Commodity	Sugar,		
Time Period	Cy	Units:	MT
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Brazil	23,434	Brazil	15,426
Malawi	6,636	Malawi	5,858
Zambia	5,692	Zambia	1,941
Zimbabwe	2,090	Zimbabwe	540
Total for Others	37852		23765
Others not Listed	424		7285
Grand Total	38276		31050

#### Domestic prices

In regional trade, the local market is still the most important source of income. Protecting and growing the domestic market, and thereby minimizing exposure to the world market, remains a major priority. These efforts require careful consideration, as they are required to meet the developmental and trade objectives of the SADC protocol (about 50,000 tons annually) and the SACU free market arrangement. In this context the Swaziland Sugar Protocol is of vital importance to the region as it is intended to ensure equitable access to the SACU market from the regions' two main producers, South Africa and Swaziland.

The current ex-factory refined sugar price is about R3, 500/MT or R3.50/kg or \$490/MT or 49 US cents/kg. at the current exchange rate of US\$1=R7.15.

The only protection the industry enjoyed was the import tariff, which is based on the price formula administered by the Department of Trade and Industry. The dollar based reference price system was established by the DTI on the basis of a 10 year average of the No. 5 world refined sugar price adjusted for certain elements. On September 23, 2005, the formula kicked in and the import tariff for sugar was cut from 55 c/kg (R550/ton) to 23.3 c/kg (R233/ton). In US\$ terms the tariff was



\$86.6/ton which was cut to \$36.7/ton. On March 16, 2006 the high world sugar price caused the formula to kick in again and the import tariff was reduced from the 23.3 c/kg. to free. All protection has thus been removed.